

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 EB-07 FRB-01 INR-07

NSAE-00 RSC-01 TRSE-00 XMB-04 OPIC-06 SP-02 CIEP-02

LAB-04 SIL-01 OMB-01 PA-02 PRS-01 USIA-15 DOTE-00

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 6184

INFO USDOC WASHDC

AMEMBASSY PARIS

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E.O. 11652: N/A

TAGS: BECP, EALR, ETRN, EWWT, ELTN, UK, FR

SUBJECT: CHANNEL TUNNEL

REF: LONDON 13335, OCTOBER 11, 1974

1. SUMMARY

HMG SIMULTANEOUSLY ANNOUNCED FORMAL REQUEST TO GOF FOR EXTENSION OF TUNNEL PROJECT RATIFICATION DEADLINE AND CANCELLATION OF KEY INFRASTRUCTURE PROJECT THE LONDON-TUNNEL HIGH-SPEED RAIL LINK. BANKS ORGANIZING FINANCING OF PROJECT MOVED ONE DAY AHEAD OF HMG AND ANNOUNCED THEIR CONTINUED SUPPORT FOR THE "CHUNNEL". SPECULATION ABOUT THE FUTURE OF THE TUNNEL CAME INTO PROMINENCE. THOSE WITH CLOSEST ACCESS TO DECISION MAKERS, AND THE PRIVATE GROUPS DIRECTLY INVOLVED STILL THINK EVENTUAL APPROVAL IS MOST LIKELY OUTCOME OF ANY REASSESSMENT PROJECT BY HMG. FRENCH BELIEVED TO SUPPORT PROJECT BUT THEIR REACTION TO HMG'S RECENT REQUEST UNKNOWN.

2. HMG FORMAL REQUEST TO GOF TO EXTEND TUNNEL DECISION

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DEADLINE

HMG ON NOVEMBER 26, 1974 FORMALLY ASKED HER PARTNERS IN THE CHANNEL TUNNEL PROJECT (THE FRENCH GOVERNMENT, THE BRITISH CHANNEL TUNNEL COMPANY AND THE SOCIETE FRANCAISE DU TUNNEL SOUS LA MANCHE) TO RENEGOTIATE THE TIME TABLE. REPORTEDLY THE PURPOSE IS TO ALLOW TIME FOR AN ASSESSMENT OF LOWER COST RAIL LINKS BETWEEN LONDON AND THE COAST "BEFORE WE (SAID BY MR. ANTHONY CROSLAND, SECRETARY FOR THE ENVIRONMENT) DECIDE WHETHER TO BUILD THE TUNNEL OR NOT". HMG'S SPOKESMAN INSISTED THE PROJECT WAS NOT BEING ABANDONED.

3. HMG APPROVAL OF HIGH-SPEED RAIL LINK WITHDRAWN

ON NOVEMBER 27, 1974, HMG MADE THE FORMAL ANNOUNCEMENT THAT PLANS FOR A HIGH-SPEED RAIL LINK BETWEEN WHITE CITY IN LONDON AND NEAR FOLKESTONE ON THE SOUTH COAST WOULD BE ABANDONED, BECAUSE OF MOUNTING COSTS. REPORTEDLY COSTS, ESTIMATED AT 120 MILLION POUNDS IN THE 1973 HMG WHITE PAPER, WERE, IN MAY 1974 IN THEN CURRENT POUNDS, REVISED UPWARD TO 373 MILLION POUNDS. THIS NEW ESTIMATE EXCLUDED COSTS FOR ADDITIONAL ENVIRONMENTAL WORK, THE GREATER PART OF COMPENSATION WHICH WOULD FALL DUE UNDER THE 1973 LAND COMPENSATION ACT AND THE COST OF ENABLING THE LINK TO CARRY FREIGHT NOT PREVIOUSLY ENVISAGED.

4. BANK CONSORTIUM CONFIDENCE IN "CHUNNEL"

JUST TWO DAYS BEFORE HMG'S PUBLIC STATEMENT THE FIVE BANK CONSORTIUM WHICH IS ARRANGING THE FINANCING OF THE U.K. PORTION OF THE TUNNEL PROJECT (MORGAN GRENFELL, ROBERT FLEMING, HILL SAMUEL, KLEINWORT BENSON AND

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S.G. WARBURG), ACCORDING TO THE PRESS, ISSUED A STRONG STATEMENT AFFIRMING THE VIABILITY OF THE PROJECT. THE CONSORTIUM REPUTEDLY STATED THAT THERE WOULD BE NO PROBLEM IN ISSUING GOVERNMENT GUARANTEED LOAN CAPITAL FOR THE REQUISITE AMOUNTS WHEN THESE AMOUNTS WOULD HAVE TO BE RAISED. (ACCORDING TO THE PRESS THE TERMS OF THE PROJECT ARE FOR 90 PERCENT OF THE FINANCING TO BE THROUGH GOVERNMENT BACKED LOANS. THERE IS SOME PRIVATE SPECULATION THAT GREATLY INCREASED HMG BACKED LOANS WILL NOT BE READILY ACCEPTED IN THE FUTURE.)

5. THE FUTURE OF THE CHANNEL TUNNEL (CHUNNEL) PROJECT

A DISINTERESTED, INFORMED AND OPEN SOURCE ON CHANNEL TUNNEL MATTERS IS NOT EASILY FOUND. WERE HE TO BE FOUND, HE WOULD ONE GUESSES, ALSO NEED A CRYSTAL BALL. THE FORMAL REACTION OF THE GOF AND THE COMPANIES AND BANKS INVOLVED TO HMG'S REQUEST FOR A DELAY IN THE TIME-TABLE (FORMAL RATIFICATION WAS SCHEDULED FOR JANUARY 1, UNCLASSIFIED
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1975) IS NOT KNOWN. PUTTING ALL THE VIBRATIONS TOGETHER A MIDDLE OF THE ROAD OPINION IS THAT, WITH SOME HAGGLING AND DIFFICULTIES, A DELAY WILL BE AGREED UPON BY ALL CONCERNED AND, THEREAFTER, THE TUNNEL PROJECT WILL, FINALLY, BE APPROVED BASICALLY IN ITS PRESENT FORM. GIVEN THE STATE OF THE U.K. ECONOMY, DOUBLE DIGIT INFLATION, THE QUESTIONS OF CONTINUED EEC MEMBERSHIP, AND STRONG OPPOSITION TO THE TUNNEL FROM SUNDRY U.K. GROUPS AND INDIVIDUALS THE PROJECT IS, HOWEVER, IN NO WAY A SURE THING.

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